

## **Business Innovation as a Competitive Strategy in Global Markets**

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*Globalization are happening in our lives nowadays and still kept going in the economy world. The globalization of markets that extend the national market into a huge global market manifest also in Asean market developments. Business institutions which are generally more flexible and quicker to accept the changes due to the dynamic nature of business itself, is also preparing to set up a strategy to face competition and maintain its existence. Innovation is one of many alternative strategies that draw attention to compete in the free market. Innovation is seen as one of the things that are important for successful companies. But many companies have missinterpretive innovation as being synonymous with innovation of new product development or traditional R & D. Such a myopia view could lead to the systematic erosion of competitive advantage, which resulted in the company as an industry look similar to each other. Innovation tends to be developed on the same dimensions. The following paper tries to discuss the various dimensions of a model that can be developed in innovation, with reference to the innovation business that has a wider scope than just product innovation and technology.*

Globalization as "the trend toward a more globally integrated economic system" (Hill, 1998) we face today and still kept going in the economy world. A world without borders for trade and investment and interdependence in the global economic system is characteristic of today's economy.

Globalization has two components, namely the globalization of markets and the globalization of production. The globalization of markets refers to "the merging of historically distinct and separate national markets into one huge global marketplace." (Hill, 1998), while the globalization of production refers to the "tendency among many firms to source goods and services from different locations around the globe in an attempt to take advantage of national differences in the cost and quality of factors of production. ". Both of these trends we have seen too clearly implicated and spread around the world. The pattern that generally happens is the polarization between developed and developing countries, between investors and countries in need of investment, with the aim to increase profits or profit maximization. Two major factors that drive the acceleration of globalization is the reduction of barriers to the free flow of goods, services, and capital that has

occurred since the end of World War II. The second factor is technological change, particularly the dramatic developments that occurred in recent years in the field communication, information processing, and transportation technology (Hill, 1998). Facing the conditions illustrated above, then inevitably, whether we like it or not, every country must prepare to compete in this competitive and borderless world. Business institutions which are generally more flexible and quicker to accept the changes due to the dynamic nature of business itself, is also preparing to set up a strategy to face competition and maintain its existence. Innovation seems to be one of many alternative strategies that attract businesses and industries to compete in the free market, in addition to the sustainable development. Many CEOs of world-class companies view innovation as crucial to its success. William Ford Jr., Chairman and CEO of Ford Motor Co., recently announced that, "from this moment onwards, innovation will be the guideline for the company in determining its direction," and that Ford "will raise innovation as a key business strategy in the future. "Responding this comment, Jeffrey Immelt, chairman and CEO of General Electric Co., has

talked about" Innovation Imperative, "a belief that innovation is central to the success of the company and the only reason for investing in the future. Steve Ballmer, CEO of Microsoft Corp., Stated recently that "innovation is the only way that Microsoft can make its customers remain happy and beat competitors."

### **What Is Innovation?**

Innovation seen as both a process of creating something new as well as the actual product or result. Modifications also included. Innovation usually takes place in two ways, namely the radical and incremental. Radical innovation does not produce something that has never existed before, in a sense it is an entirely new, while the incremental innovation is a change which was considered as improvement or advancement (Fitzsimmons & Fitzsimmons, 2004). Sawhney, Robert C. Wolcott and Inigo Arroniz (2006) began their study by stating that many companies had misrepresented as being synonymous with innovation of new product development or traditional R & D. But the narrow view (myopia) as this can lead to a systematic erosion of competitive advantage, which resulted in the "looking like similar" company in the same industry. The best practices was imitated, and reinforced by benchmarking. As a result, firms in an industry tends to offer the same customer with the same offer, and they tend to innovate at the same dimensions. In the chemical industry or oil and gas, the emphasis is on innovation processes. Packaging companies tend to concentrate on the brand and distribution. When all firms in an industry looking for opportunities in the same place, they tend to produce the same innovations as well. So looking at innovation too narrowly blinds companies to opportunities and let them remain vulnerable to competitors with a broader view.

The three researcher then offers the concept of "business innovation" which has a much broader scope than "mere" product innovation and technology, as evidenced by some of the most successful companies. Starbucks Corp., For example, managed to make consumers want to pay \$ 4 for a cup of coffee, not because the taste of the coffee is better, but

because the company is able to create a consumer experience as a "third place" - a meeting room shared between the home and workplace, where people can relax, converse and relate to one another. Dell Inc., has become the most successful computer company in the world, rather than through investment in R & D, but by making PCs easier to use, bring products to market faster and innovate through the processes such as supply-chain management, manufacturing and direct selling. Google has become a multibillion-dollar giants, not because he has the best search engines, but because he pioneered the "paid search" - a very powerful concept that the tenant will not pay Google to pair consumers with relevant offers as a free byproduct of the search conducted by consumers.

Business innovation is defined by the three researchers as "the creation of substantial new value for customers and the firm by one or more Creatively changing dimensions of the business system" This definition leads to three important characteristics, namely :

1. Business innovation is about New Value, not New Things.

Innovation is relevant only when it is said to create value for customers - and therefore also for the company.

2. Business innovation comes in many flavors.

Innovation can occur in any dimension of business systems.

3. Business innovation is systemic.

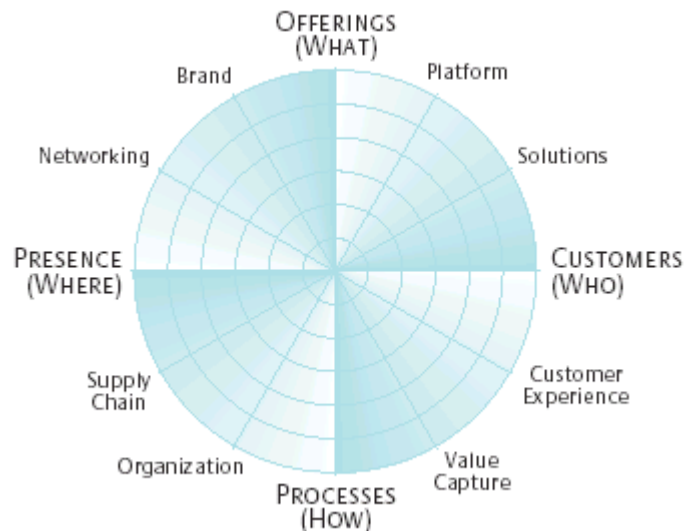
Successful business innovation requires careful consideration of all aspects of a business the dimensions of the business system

### **360 degree view**

The question that arises then is how many possibilities are there the dimensions of business innovation, and how they relate to each other ? During the third three years researchers have been studying this problem in depth with a group of predecessor companies, including Motorola, Chamberlain Group ADT, Sony, MicroSoft, and ConocoPhillips. Based on discussions with managers leading innovation efforts in this company and a comprehensive survey of academic literature on this topic, researchers have developed, validated, and

implemented a framework called the "innovation radar". This tool serves and connects all of the

dimensions through which companies can see opportunities to innovate.



Sawhney, Wolcott, and Arroniz. 2006. MIT Sloan Management Review

Almost as well as maps, radar innovation displays the 12 dimensions of business innovation anchored by the offerings a company creates, the customers it serves, the processes it employs and the points of presence it uses to take its offerings. Among the four major anchors, researchers insert eight other dimensions of a business system that can act as a road. So this whole innovation radar consists of 12 key dimensions as listed below.

### Implementation of the Innovation Radar

Various examples of Nissan, Virgin, Edmunds. Com and others help us to illustrate the various ways that may be made for innovation, but companies can gain greater value by thinking of those dimensions as a whole or a part of the business system. For example, Apple Computer Inc. with its highly successful iPod, more than just a beautiful product, but also an elegant solution for the customer (a simple, integrated purchase and consume digital music), satisfying the owner (model pay-per-song that is safe to download music legally) and manufacturer (the discovery of new markets are growing). Apple is not just attacking dimension and platform offerings, but also supply chain (to

satisfy the owner), presence (your entire music collection, photos, and videos that customers can carry around), networking (connecting a Mac or Windows), value Captures (i Tunes), customer experience (complete iPod experience), and the brand (Apple brand extension). Radar innovation can serve as guidelines for companies to manage the increasingly complex business systems by means of adding value, allowing more of the innovation in products and technologies. This framework can be an important tool for companies, executives, entrepreneurs and venture capitalists - those who seek growth through innovation.

### Organizational culture as a Supporting Innovation

How sophisticated the model of innovation has to offer, organizational culture is an important requirements needed to support. Competitors can easily replicate the infrastructure and technology from innovators like Netflix than creating a culture of employees as at Starbucks or Southwest Airlines. The company has invested time, effort, and cost to build a work culture that is conducive in creating a competitive advantage. Companies that want to

innovate must create a culture of innovation, namely "a style of corporate behavior that is comfortable with, even aggressive about, ideas, changes, risk and failure." Employees should have the confidence to take risks and to freely express ideas and suggestions with anyone in the organization. They should be given adequate attention and confidence to try to create something new.

Companies that successfully create a culture that values human capital and innovation will see a wave of incremental improvement of lifting those who are in the bottom. But when

leaders understand the kind of innovation that leads to new markets and working to apply the factors driven success, it means that they are also building new businesses that puts the company at the rate of sustainable growth and profits. The question then is: Can we create a culture of business organizations of this kind in our organization?

### The 12 Dimensions of Business Innovation

Dimension	Definition	Examples
Offerings	Develop innovative new products or services.	<ul style="list-style-type: none"> <li>• Gillette Mach3 Turbo razor</li> <li>• Apple iPod music player and iTunes music service</li> </ul>
Platform	Use common components or building blocks to create derivative offerings.	<ul style="list-style-type: none"> <li>• General Motors OnStar telematics platform</li> <li>• Disney animated movies</li> </ul>
Solutions	Create integrated and customized offerings that solve end-to-end customer problems.	<ul style="list-style-type: none"> <li>• UPS logistics services Supply Chain Solutions</li> <li>• DuPont Building Innovations for construction</li> </ul>
Customers	Discover unmet customer needs or identify underserved customer segments.	<ul style="list-style-type: none"> <li>• Enterprise Rent-A-Car focus on replacement car renters</li> <li>• Green Mountain Energy focus on "green power"</li> </ul>
Customer Experience	Redesign customer interactions across all touch points and all moments of contact.	<ul style="list-style-type: none"> <li>• Washington Mutual Occasio retail banking concept</li> <li>• Cabela's "store as entertainment experience" concept</li> </ul>
Value Capture	Redefine how company gets paid or create innovative new revenue streams.	<ul style="list-style-type: none"> <li>• Google paid search</li> <li>• Blockbuster revenue-sharing with movie distributors</li> </ul>
Processes	Redesign core operating processes to improve efficiency and effectiveness.	<ul style="list-style-type: none"> <li>• Toyota Production System for operations</li> <li>• General Electric Design for Six Sigma (DFSS)</li> </ul>
Organization	Change form, function or activity scope of the firm.	<ul style="list-style-type: none"> <li>• Cisco partner-centric networked virtual organization</li> <li>• Procter &amp; Gamble front-back hybrid organization for customer focus</li> </ul>
Supply Chain	Think differently about sourcing and fulfillment.	<ul style="list-style-type: none"> <li>• Moen ProjectNet for collaborative design with suppliers</li> <li>• General Motors Celta use of integrated supply and online sales</li> </ul>
Presence	Create new distribution channels or innovative points of presence, including the places where offerings can be bought or used by customers.	<ul style="list-style-type: none"> <li>• Starbucks music CD sales in coffee stores</li> <li>• Diebold RemoteTeller System for banking</li> </ul>
Networking	Create network-centric intelligent and integrated offerings.	<ul style="list-style-type: none"> <li>• Otis Remote Elevator Monitoring service</li> <li>• Department of Defense Network Centric Warfare</li> </ul>
Brand	Leverage a brand into new domains.	<ul style="list-style-type: none"> <li>• Virgin Group "branded venture capital"</li> <li>• Yahoo! as a lifestyle brand</li> </ul>

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